

Annexure 1

Highlights of Audit Report of Gujarat B&OCW Welfare Board, Audited by
CAG.

Background of the Board:

1. Gujarat Board was constituted after eight years of the enactment of the Central Acts of Construction workers on 18.12.04. Instead of constituting a Tripartite Board with 'equal' representatives of the State Government, employers and building workers only a “**one-man Board**” was constituted till 10th July 08 when a full-fledged Board was constituted on 11.07.08 and re-constituted on 09-05-11.
2. In Gujarat instead of a mandatory Cess of 1% on the total cost of construction only Rs 30 of per square meter was being collected till 1-3-2014 as Cess, assuming the cost of construction to be uniform across Gujarat as Rs 3000 w.e.f. 18.12.04 which was called “Standard Official Rate” (SOR). This rate was fixed by the Board overriding the Provision of the Cess Act. Thus Gujarat collected less than 20% of the due amount of Cess for first nine years.
- 3.

Part II- Current Audit

Section (A): Major irregularities

Para 1: Non-transfer of the labour Welfare Cess collected to the Board.

Out of Rs. 333.87 Crore collected during 2006-07 to 2011-12, only Rs. 11.15 Crore was transferred from the Board during the Period 2007-2008 to 2010-11.

Para 2: Non-utilization of the funds at the disposal of the Board.

The Board received Plan Grant of Rs. 11.15 Crore during the period 2007-2008 to 2010-2011.....out of above grant, Rs. 10.78 Crore (96.68%) was invested in Fixed Deposit with Gujarat state Financial Services Ltd, Ahmadabad (GSFS Ltd) as indicated in Table 3.

On the PIL of NCC-CL against Union of India and others, the Hon'able Supreme Court of India vide its Order dated 7th February 2012 gave directions that the funds available with the Welfare Boards which have not been disbursed or are not likely to be disbursed within a short period should be

properly invested with the Nationalized banks only. Funds available with the Welfare Boards shall not be utilized by the state for any other head of Expenditure of State Government, etc.

Para 3: Poor Performance of the Board vis-a-vis its mandated activities.

Audit analysis of the above information revealed the following:

1. Out of 12 Lakhs estimated construction workers in Gujarat, the number beneficiaries registered under the Main Act up to March 2012 is only 65031(5.41%)
2. Against the registered beneficiaries of 65031 upto March 2012, only 9930(15%) beneficiaries were provided assistance.
3. Against the Plan Grant of Rs.12.89 Crore received by the Board upto March 2012, assistance amounting to Rs.2.06 Crore (16%) only was extended to 9930 registered beneficiaries' upto March 2012.

This shows that the Board has not performed satisfactorily either in terms of number of beneficiaries covered or in terms of quantum of assistance provided.

During 2008-09 to 2011-12, **9851 students** have been provided Rs. 1.98 Crore under Education assistance Scheme, on an average Rs. 2014 for a year. Other than this, **only 61 women** have been provided **maternity benefit**, **3 accidental death benefits** of Rs. 2 lakhs each, **15 funeral Assistance** of Rs.2000 each. In spite of there being provision of **Medical Assistance**, House assistance, **Skill training and free tool distribution**, **not a single construction worker has been provided any of these four benefits.**

Para 4: Irregular fixation of rate of labour welfare cess by the Board.

The Board in its meeting dated February 4, 2006 passed a **blanket order** fixing the cess for all building construction across the state at Rs. 30 per square metre assuming the cost of construction to be uniform across Gujarat at rs. 3000 and considering the then prevailing rate of building materials. This rate was called the **“Standard Official rate” (SOR)**. This rate was fixed by the Board overriding the provisions of the Cess Act, which stipulated the levy and collection of cess on the actual cost of construction. **(At the prescribed rate of one percent the Gujarat Board would have collected more than Rupees 1700 Crore as Cess).**

Para 5: Incorrect implementation of the Cess Act.

Subsequent audits of GWSSB Circles at Jamnagar and Palanpur Circles revealed that cess amounting to rs. 2.50 Crore, though recovered, was refunded to private construction agencies on the ground of absence of specific provisions regarding labour cess in the contract documents. GWSSB assumed upon itself the responsibility to pay the cess in such cases. Audit report rejected the explanation given by the Board because **almost every contract, there is a general provision that the contractor shall comply with the applicable laws and shall pay all taxes, duties etc. As required by law.**

Para 6: Non-Submission of UTCs of Rs.1.12 Crore and weak monitoring of funds allotted to implementing Officers.

The Board had allotted grant of Rs.1,74,50,000/- to various implementing officers during the period 2008-09 to 2010-2011, out of which expenditure of Rs.1,62,36,697/- was incurred as detailed in Table 7.

Audit scrutiny revealed that expenditure of Rs.1,62,36,697/- was incurred various implementing officers upto 31.03.2011 against the allotted Grant Rs.1,74,50,000/-. However, UTCs of only Rs.50.88 Lakhs was obtained as on date. UTCs of Rs.111.49 lakhs was not obtained from various implementing officers.

Non-submission of UTC of Rs.1.12 Crore and weak monitoring of funds allotted to implementing office-The Board allocated grant of Rs.174.50 lakhs to various implementing officers during the period 2008-09 to 2010-11 out of which expenditure of Rs.162.36 lakhs was incurred up to 31.3.11. However, UTC of only Rs 50.88 lakhs was obtained.

Para 7: Excess Non-plan expenditure of the Board.

In the year 2008-09, 2009-0 and 200-, non-plan expenditure was 54%, 12%, and 16% respectively of total expenditure. Thus, **non-plan expenditure was more than 5% limit prescribed by the Act.** On being pointed out in Audit, the Board did not reply to the point at stake. Further compliance is awaited.

Para 8: Lack of dedicated staff under the Board and vacancy in office staff of the Board.

Due to lack of dedicated staff under the Board and acute vacancy in office staff of the Board, the working of the Board had been affected adversely. Suitable action should be taken immediately to consider dedicated field staff under the Board and fill up the vacant posts.

Para 9: Non-submission of Annual Report.

As per rule 47 of the Building and Other Construction Workers' (Regulation of Employment & Conditions of Service) Rules, 2003 the Board shall submit an Annual report in Form No. VIII to the State Government and Central Government... not later than 31st day of October on the working day of the Board during the preceding year ending 31st march of the year along with audited copy of accounts together with an auditor's report.

During the course of audit, it came to notice that **no such Annual Report in Form VIII was submitted.**

The Board replied that annual report of the board would be prepared as required.

Para 10: Non-maintenance of Register of Beneficiaries.

As per Rule 34(4) of the Building and Other Construction workers' the Secretary of Board shall maintain Register of beneficiaries in Form VI.

When the register of beneficiaries was asked for to be submitted in audit, it was started that **no such register was maintained.**

Para 11: Non-finalization of Accounts prior to 2006-07 and non-maintenance of Ledgers thereafter.

Audit scrutiny revealed that **the annual accounts of the Board were not prepared since its inception.** For the year 2006-2007 to 2010-2011 other relevant like **General Ledger, Debtors' ledger and Creditors' ledger were not maintained.** The mistake would be rectified by the Board.

Para 12: Non-maintenance of Cash Book up to 31-08-2008 and irregular maintenance of Cash Book thereafter.

Audit Scrutiny revealed that though administrative expenditure etc. Was shown in the Annual Accounts from FY 2006-07 onwards, **the Cash Book not maintained for the period 18.12.2004 to 31.08.2008.**

Scrutiny of Cash Book of the Board for the period 01.09.2008 to 31.03.2011 revealed.....**no certificate there regarding physical verification of cash was found in the Cash Book.**

Para 13: Difference between Cash Book and Bank Pass Book.

Para 14: Incorrect exhibition of FD Interest accrued.

Scrutiny of Annual Accounts for the year ended on 31st march 2011 revealed that **FD interest accrued of Rs. 1,31,32,263/- was shown on the liability side as FD interest but not received. Being asset of the Board, it should be exhibition on the assets side of the balance sheet.**

When reasons for incorrect exhibition of FD interest accrued were called for in audit, it was replied that the instruction had been noted and the chartered accountant would be asked to rectify the mistake at the earliest. Further compliance is awaited.

Para 15: Non-reconstitution of the State Advisory Committee.

Para 16: Board Meeting

When the details of meeting held and minutes thereof sent to State Government were called for in Audit..... **no details of Board meetings were furnished.**

Hon'able Supreme Court of India vide its Order dated 7th February 2012 gave directions the every Welfare Board shall, without fail, hold its meetings at least once in two months and submit its minutes, as well as the action taken and progress reports in regard to the framing and implementation of the schemes and disbursement of funds to the eligible applicants, to the Secretary (Labour) of that Government quarterly.

When the above direction was brought to the notice of the Board, the Secretary **of the Board assured to the follow the direction of the Hon'able Supreme Court, further compliance is awaited.**

The last two Board meetings were held on 9.04.13 and 4.1.14. (A gap of nine months.)

Para 17: Lack of awareness among building and other construction workers.

Vigorous and sustained efforts are required to be made to create awareness among building and other construction workers about welfare schemes launched by the Board. Further, special drives are needed to register construction workers as beneficiaries under the Act.

Para 18: Non-availability of information with the Board regarding cess returns, assessment orders, penalty, and cost of collection and registration fees.

There are **2690** establishment in Gujarat up to March 2012, registered under the main Act.....also the Board has no information regarding cost of collection retained by the cess collectors and registration fees received from establishments.

The Non-availability of these vital information with the Board shows **lack of effective monitoring and reporting mechanism. In the absence of such data, the possibility of non-existence of filing of returns and passing of assessments orders cannot be ruled out.**

Para 19: Non-transfer of contribution from the beneficiaries to the fund of the board.

The Board had no information regarding the amount of contributions received from the beneficiaries up to March 2012.....The statutory requirement of crediting the contributions received from beneficiaries into the Board's Fund was not observed.